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Administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board

Report of the Secretary-General

Summary

The report of the United Nations Joint Staff Pension Board to the General Assembly (A/53/9) contains a number of recommendations that have implications for the budget of the United Nations. In accordance with the purposes of rule 153 of the rules of procedure of the General Assembly, the present report identifies financial implications that would arise for the regular budget should the Assembly adopt the recommendations submitted to it in the report of the Pension Board.

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I. Introduction

1. Under section 1 of the proposed programme budget for each biennium, provisions are made for the travel of representatives of the United Nations to United Nations Joint Staff Pension Board (UNJSPB) meetings and the meeting of the Standing Committee and the share of the United Nations in the expenses of the central secretariat of the United Nations Joint Staff Pension Fund (UNJSPF) for the services provided by the Fund to the United Nations Staff Pension Committee. The contribution of the United Nations to the Fund, which acts as the secretariat of the United Nations Staff Pension Committee, reflects one third of the total staff costs of the secretariat of the Fund and a contribution to the amount of identifiable costs of communications paid by the regular budget, partially offset by the shares of the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA). Provisions are also made in section 1 for the share of the regular budget in the audit costs performed by the Board of Auditors for the Fund.

2. In paragraph 1.29 of the proposed programme budget for the biennium 1998–1999,[1] it was indicated, *inter alia*, that the resources in respect of the contributions of the United Nations to the United Nations Joint Staff Pension Fund (including United Nations participation in the costs of the secretariat of the United Nations Joint Staff Pension Board), reflected the arrangements between the Fund at the time of the preparation of those proposals. Excluded in the estimates were charges for use of the International Computing Centre (ICC) at Geneva. Prior to the migration of mainframe services from New York to ICC, those services were performed in-house by the Information Technology Services Division. At the time of the preparation of the initial proposals for the programme budget for the biennium 1998–1999, a review was being undertaken of the services provided by the Fund to the United Nations Staff Pension Committee. Proposals in connection with the outcome of that review were still subject to the approval of the Standing Committee of the Pension Board during its meeting in 1997.

3. In the report of the Standing Committee of the Pension Board (A/52/278), the subject of cost-sharing the usage of the Fund's mainframe computer between the United Nations and the Fund was discussed. For the biennium 1996–1997, the actual United Nations/UNJSPF mainframe computer cost-sharing was approximately 75/25 per cent (75 per cent provided free of charge by the United Nations and 25 per cent charged to the Fund's administrative budget). For the biennium 1998–1999, the Secretary of the Board had agreed, in the course of discussions with the United Nations Secretariat, to propose to the Standing Committee that the Fund absorb a larger portion of the costs of mainframe computer services provided by ICC to the Fund. The Standing Committee decided, with some reservations, to include provisions of $1,483,300 for the mainframe computer costs (namely 50/50 per cent cost-sharing arrangements), on the understanding that the Board would consider the matter further in 1998 in the context of the study of the administrative arrangements between the Fund and its member organizations, and in particular, the review to be carried out of the services and facilities provided over the years to the Fund by the United Nations and vice versa.

4. The Advisory Committee on Administrative and Budgetary Questions, in its report on the administrative expenses of the Fund (A/52/519), was of the view that the United Nations should have awaited the concept paper requested by the Pension Board before making changes to the cost-sharing arrangements with the Fund. The Advisory Committee also stated, *inter alia*, that pending the consideration by the Board of the concept paper, the status quo for cost-sharing of expenditures related to computer services (namely, 75 per cent

covered by the United Nations and 25 per cent by the Fund) should be maintained. On that basis, the Fund would provide 25 per cent of the cost of $2,966,600 for use of ICC, or $741,700 for the biennium 1998–1999. The share of the regular budget of the United Nations for the Fund's computer use of ICC for the same period would amount to $2,224,900. As regards external audit costs, the Advisory Committee noted that, for the biennium 1996–1997, the United Nations covered 90 per cent of the costs. The Advisory Committee agreed, therefore, with the recommendation of the Standing Committee that as part of the longer-term study of the administrative arrangements between the United Nations and the Fund, the issue of the appropriate sharing of both internal and external audit costs would have to be reviewed. The Advisory Committee recommended that the current cost-sharing arrangements of external audit be maintained pending the review of the concept paper by the Board in 1998, instead of revised cost-sharing arrangements proposed by the Standing Committee. Furthermore, in the view of the Advisory Committee, the United Nations should review its methodology for apportioning charges to its affiliated programmes (UNICEF, UNDP, UNFPA, etc.) for services rendered to the Fund on their behalf, so that those funds and programmes of the United Nations pay for their appropriate share of the costs of the Fund's secretariat.

5. In section V of its resolution 52/222 of 22 December 1997, the General Assembly concurred with the recommendations of the Advisory Committee on the administrative expenses of the Fund and approved an addition to the regular budget of the United Nations for the biennium 1998–1999 in the amount of $2,224,900 for the United Nations share of mainframe computer services utilized by the Fund and an amount of $108,600 to be added to the United Nations share of the costs of external audit of the Fund.

II. Report of the United Nations Joint Staff Pension Board

6. Paragraphs 154 to 166 of the report of UNJSPB[2] summarize the discussions between the Fund secretariat and the United Nations Administration on cost-sharing arrangements and the action taken by the Board in respect of those arrangements. The conclusion reached, as endorsed by the Board based on its review of the concept paper submitted by the Fund's secretariat to the Board, was that the one-third (United Nations)/two-thirds (UNJSPF) cost-sharing formula for the administrative budget of the Fund continued to be reasonable and fair and should be used for certain costs that had not been shared previously, namely, computer services, office space and audit costs (internal and external), as follows:

(a) **Computer costs**. For the biennium 1998–1999, the cost of the Fund's usage of mainframe computer services is estimated at $2,966,600. The other costs, currently charged in full to the Fund's administrative budget, amount to $2,351,500. On that basis, the 1999 portion of the total cost of $5,318,100 would be subject to the one-third/two-thirds formula;

(b) **Office space**. Office space is currently provided, free of charge, by the United Nations to the secretariat of the Pension Fund, including the Investment Management Service. The cost of two thirds of the office space occupied by the secretariat of the Fund in New York and Geneva, excluding the Investment Management Service, would be reimbursed by the Fund to the United Nations. Since the investment activities do not involve pension secretariat services to the United Nations, the Fund would reimburse the Organization for 100 per cent of the cost for the space occupied by the Investment Management Service;

(c) **Audit costs**. The External Board of Auditors had indicated that the allocation of audit resources between the Fund's administrative and investment areas was

approximately on a 50/50 basis. As in the case of premises provided to the Fund, since the investment activities do not involve pension secretariat services for the United Nations, the 50 per cent of external audit costs related to Pension Fund investments would not be shared by the United Nations. Accordingly, the cost-sharing arrangements would be one third of the remaining 50 per cent of external audit costs to be borne by the United Nations and the balance to be borne by the Fund's budget. For internal audit costs, the same cost-sharing formula would be applied;

(d) **Other services and facilities**. The United Nations would continue to provide, free of charge, other support services and facilities currently provided to the Fund, such as staff payroll processing, personnel and procurement functions, miscellaneous supplies and certain telecommunications costs, etc., on the understanding that should there be any adjustment to the cost-sharing formula or should any requests be made for additional costs to be absorbed by the United Nations, the latter would reserve its position on the full absorption of those indirect costs.

7. The revised cost-sharing formula outlined above would take effect prospectively, namely, as from 1 January 1999.

III. Implications for the United Nations

8. As indicated in paragraph 1 above, provisions are made under the proposed programme budget for each biennium for the share of the United Nations for services rendered by the secretariat of the Fund, acting as the secretariat of the United Nations Staff Pension Committee, representing one third of the total staff costs of the secretariat of the Fund and a contribution to the amount of identifiable costs of communications paid by the regular budget. These costs are partially offset by the shares of UNICEF, UNDP and UNFPA paid to the United Nations.

9. Under the budget of the Board of Auditors (including its secretariat), a provision of $253,400 is currently included for the Fund in the share of the regular budget for the cost of salaries, travel and subsistence of staff provided by members of the Board of Auditors and the costs associated with attendance by the members of the Board at the regular meetings of the Board and the Panel of External Auditors. No provisions exist, however, in the programme budget for the bienniums 1996–1997 and 1998–1999 for the United Nations share of the cost of internal audit.

10. Following the adoption of resolution 52/222, in which the General Assembly approved an addition to the regular budget of the United Nations in the amounts of $2,224,900 and $108,600 for the United Nations share of mainframe computer services and the cost of external audit, respectively, and pending the review of cost-sharing arrangements, the additional appropriation of $2,333,500 was included under section 27 of the programme budget for the current biennium.

11. The implications to the United Nations of the current proposals of UNJSPB and action taken by the General Assembly in its resolution 52/222 in respect of the proposals submitted by the secretariat of the Fund in 1997 are set out in table 1 below.

Table 1
Implications for the biennium 1998–1999 of United Nations Joint Staff Pension Board proposals, effective 1 January 1999
(Thousands of United States dollars)

	Total estimates (1)	*UNJSPF share (2)*	*United Nations share (3)*	*Initial appropriation Regular budget (4)*	*Regular budget estimated expenditures (5)*	*United Nations increase (decrease) (6)*
I Computer services						
ICC	2 966.6	1 359.7	1 606.8	2 224.9	1 606.8	(618.1)
Other computer services	2 351.5	1 959.6	391.9	0.0	391.9	391.9
Total: computer services	**5 318.1**	**3 319.3**	**1 998.7**	**2 224.9**	**1 998.7**	**(226.2)**
II Audit costs	938.1	620.5	317.6	362.0	317.6	(44.4)
III General temporary assistance	968.1	792.3	175.8	0.0	175.8	175.8
Total I + II + III	**7 224.3**	**4 732.1**	**2 492.1**	**2 586.9**	**2 492.1**	**(94.8)**
Premises	1 404.7	530.6	874.1	0.0	(530.6)	(530.6)
Net cost	8 629.0	5 262.7	3 366.2	2 586.9	1 961.5	(625.4)

12. As outlined in table 1 above, should the General Assembly agree to the revised administrative and audit budget of the Fund, the total United Nations share (inclusive of UNICEF, UNDP and UNFPA) would amount to $1,961,500. On that basis, as set out in table 1, the implications for the regular budget of the United Nations during the biennium 1998–1999 would reflect a decrease of $625,400.

13. It may be noted, however, that of the $1,961,500, an amount in principle of $933,600 relates to shares that might reasonably be assigned to UNICEF, UNDP and UNFPA. That amount, however, would represent an addition to the budgets of those funds and programmes inasmuch as no reimbursement has previously been sought by the United Nations for their shares of the costs. It is proposed that no additional cost to those funds and programmes would take effect in the current biennium as consultation will need to be held between the United Nations and the funds and programmes on this question. The outcome of such consultations is expected to be addressed in the following biennium.

14. For information purposes, the biennial impact on the regular budget and ultimately on the budgets of UNICEF, UNDP and UNFPA of the proposals contained in the report of the United Nations Joint Staff Pension Board based on the proposed revised administrative budget of the Fund (at existing rates) is contained in table 2.

Table 2
Full biennial implications of United Nations Joint Staff Pension Board proposals, using 1998–1999 figures for illustrative purposes

	Total estimates	*UNJSPF share*	*United Nations UNICEF UNDP UNFP share*	*UNICEF UNDP UNFPA*	*Regular budget*	*Appropriation*	*Increase (decrease)*
I. Computer services							
ICC	2 966.6	1 977.7	988.9	393.6	595.3	2 224.9	(1 629.6)
Other computer services	2 351.5	1 567.7	783.8	312.0	471.8	0.0	471.8
Total: computer services	**5 318.1**	**3 545.4**	**1 772.7**	**705.6**	**1 067.1**	**2 224.9**	**(1 157.8)**
II. Audit costs							
External audit	411.0	342.5	68.5	27.3	41.2	362.0	(320.8)
Internal audit	527.1	439.2	87.9	35.0	52.9	0.0	52.9
Total: audit costs	**938.1**	**781.7**	**156.4**	**62.3**	**94.1**	**362.0**	**(267.9)**
III. General temporary assistance	968.1	792.3	351.6	139.9	211.7	0.0	211.7
Total I + II + III	**7 224.3**	**5 119.4**	**2 280.7**	**907.8**	**1 372.9**	**2 586.9**	**(1 214.0)**
Cost of rented premises	1 404.7	1 052.0	352.7	0.0	(1 052.0)	0.0	(1 052.0)
Net cost	8 629.0	6 171.4	2 633.4	907.8	320.9	2 586.9	(2 266.0)

IV. Conclusions and recommendations

15. Should the General Assembly decide to approve the proposals contained in paragraphs 154 to 166 of the report of the Pension Board[2] and endorse the proposal of the Secretary-General, a reduction of $625,400 would be achieved in the programme budget for the biennium 1998–1999, as indicated below:

	United States dollars
Section 1, Overall policy-making, direction and coordination	**487 100**
Section 27, Administrative services	**(1 112 500)**
	(625 400)

16. The General Assembly may also wish to request the Secretary-General to complete his consultations with the funds and programmes on the methodology for apportioning charges to its affiliated programmes for services rendered to UNJSPF on their behalf.

Notes

[1] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 6* (A/52/6/Rev.1 and Add.1), vol. I.

[2] Ibid., *Fifty-third Session, Supplement No. 9* (A/53/9).